



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GREENUP COUNTY SHERIFF**

Calendar Year 2001

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EDWARD B. HATCHETT, JR.
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To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, County Sheriff

Members of the Greenup County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Greenup County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC evaluated the Greenup County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
GREENUP COUNTY SHERIFF**

Calendar Year 2001

BERGER & ROSS, PLLC

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY SHERIFF

Calendar Year 2001

Berger & Ross, PLLC has completed the audit of the Greenup County Sheriff for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects. However, the audit did reveal four noncompliances which are listed below.

Financial Condition:

Excess fees decreased by \$5,960 from the prior calendar year, resulting in excess fees of \$353 as of December 31, 2001. Revenues increased by \$18,581 from the prior year and disbursements increased by \$17,978.

Report Comments:

- The Sheriff Should Prepare Accurate Financial Reports And Keep Accurate Financial Records
- The Sheriff Should Present A Settlement To The Fiscal Court In A Timely Manner
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Require The Depository Institution To Maintained A Written Collateral Security Agreement Required By The Public Funds Law.

Deposits:

The Sheriff's deposits were not insured and collateralized by bank securities or bonds and were not covered by a written agreement.

Subsequent Events:

None.

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National Association of Public Accountants (NAPAs)
National Association of Tax Professionals (NATP)
National Association of Government Accountants (NAGAs)
National Association of Public Accountants (NAPAs)
National Association of Public Accountants (NAPAs)

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Greenup County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Greenup County Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursement of the Sheriff for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Prepare Accurate Financial Reports And Keep Accurate Financial Records
- The Sheriff Should Present A Settlement To The Fiscal Court In A Timely Manner
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Require The Depository Institution To Maintain A Written Collateral Security Agreement Required By The Public Funds Law In Accordance With KRS 41.240

Respectfully submitted,



Berger & Ross, PLLC

Audit fieldwork completed -
June 20, 2002

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

Federal Payments:		
Federal COPS Grant	\$ 27,000	
KLEFPF Grant	<u>37,058</u>	\$ 64,058
State Fees For Services:		
Finance And Administrative Cabinet		93,289
Circuit Court Clerk:		
Security Fees	\$ 14,259	
Arrest Fees	<u>377</u>	14,636
County Clerk:		
Delinquent Taxes		9,068
Commission on Taxes Collected		367,547
Sheriff's Fee on Taxes Collected		
10% Additional Fee	\$ 63,210	
Advertising Fee	<u>1,405</u>	64,615
Fees Collected for Services:		
Auto Inspections	\$ 16,090	
Accident/Police Reports	1,415	
Carrying Concealed Deadly Weapons Permits	10,065	
Serving Papers	19,850	
Fiscal Court Service Fees	<u>8,100</u>	55,520
Other:		
Donations	\$ 1,257	
Fireworks Fee	80	
Drug Forfeiture	9,010	
Reimbursements	5,255	
Miscellaneous	<u>13,711</u>	29,313
Interest Earned		8,291
Borrowed Money		
State Advancement	\$ 242,200	
Loans - Other Accounts	4,370	
Loans - Bank	<u>50,000</u>	<u>296,570</u>
Gross Receipts		\$ 1,002,907

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
 KEITH M. COOPER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Operating Disbursements:

Personnel Services:		
Deputies' Gross Salaries	\$ 380,124	
Other Gross Salary	<u>23,698</u>	\$ 403,822
Employee Benefits		
Employer Share FICA	\$ 34,471	
Insurance	<u>15,165</u>	49,636
Contracted Services		
Advertising	\$ 272	
Contract Labor	15,153	
Dispatch	7,500	
Professional Fees	<u>21,475</u>	44,400
Materials and Supplies		
Equipment and Uniforms	\$ 2,787	
K-9 Unit	394	
Office Supplies	5,529	
Supplies - Deputies	<u>3,766</u>	12,476
Automobile Expenses:		
Gasoline	\$ 24,807	
Maintenance, Repairs, and Equipment	<u>23,439</u>	48,246
Other:		
Bond	\$ 510	
Carrying Concealed Deadly Weapons Permits	7,235	
Computer Services	12,413	
County Collections	8,100	
Drug Enforcement	3,895	
Expense Reimbursements	1,031	
KACO Payments	1,192	
Postage	8,222	
Radio Expense	365	
Returned Checks	711	
Telephone	6,421	
Training	1,744	
Travel	20,931	
Miscellaneous	<u>3,363</u>	76,133
Debt Service		
Repayment of State Advancement	\$ 242,200	
Loans - Bank	50,000	
Loans - Other Accounts	4,370	
Interest	<u>478</u>	<u>297,048</u>

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
 KEITH M. COOPER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Total Disbursements		\$	931,761
Net Receipts		\$	71,146
Less: Statutory Maximum	\$	67,874	
Less: Incentives		<u>2,919</u>	<u>70,793</u>
Excess Fees Due to Fiscal Court:			353
Less: Payment to Fiscal Court - May 14, 2002			<u>353</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>-</u>

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations backed by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 31, 2001, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond. However, as of November 7, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$4,911,995 of public funds uninsured and unsecured. In addition, the Sheriff did not have a written security agreement with the depository institution securing the Sheriff's interest in the collateral.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 7, 2001.

Bank Balance	<u>November 7, 2001</u>
Collateralized with securities held by pledging Depository institution in the county official's name	\$ 2,350,000
FDIC Coverage	100,000
Uncollateralized and unsecured	<u>4,911,995</u>
Total	\$ <u>7,361,995</u>

Note 4. COPS Grant

The Greenup County Sheriff's Department was the recipient of \$27,000 from a COPS In School Award from the United States Department of Justice. This money was received and dispersed in calendar year 2001. The grant was used to hire deputies for the local school system.

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COMMENTS AND RECOMMENDATIONS

GREENUP COUNTY
KEITH M. COOPER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2001

STATE LAWS AND REGULATIONS:

1. The County Sheriff Should Prepare Accurate Financial Reports And Keep Accurate Financial Records
-

Our audit disclosed the Sheriff did not prepare an accurate fourth quarter financial statement in that the receipts and disbursements ledgers did not coincide with the fourth quarter financial statement requiring negligible adjusting entries.

County Sheriff's Response: Due to state advancement requirements, I had to turn report in before it was complete.

2. The County Sheriff Should Present a Settlement To The Fiscal Court In A Timely Manner

The County Sheriff did not present to the fiscal court an annual settlement as required by KRS 134.310(1).

County Sheriff's Response: I will comply in all future reporting requirements to the fiscal court

3. The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits
-

On November 7, 2001, \$4,911,995 of the County Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits or public funds at all times.

County Sheriff's Response: I have contacted the financial institution to raise the collateral.

4. The Sheriff Should Require The Depository Institution To Maintain A Written Collateral Security Agreement As Required By The Public Funds Law
-

The County Sheriff did not have a written collateral security agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by FDIC, should be (a) in writing, (b) approved by the board of directors or the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Sheriff's Response: I have contacted the financial institution to provide a written collateral security agreement.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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To the People of Kentucky

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 Honorable Robert Carpenter, Greenup County Judge/Executive
 Honorable Keith M. Cooper, Greenup County Sheriff
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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Greenup County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Prepare Accurate Financial Reports And Keep Accurate Financial Records
- The Sheriff Should Present A Settlement To The Fiscal Court In A Timely Manner
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Require The Depository Institution To Maintain A Written Collateral Security Agreement Required By The Public Funds Law In Accordance With KRS 41.240

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance with Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Berger & Ross, PLLC

Audit fieldwork completed –
June 20, 2002

